



## Fiscal Estimate Narratives

DOR 10/29/2009

LRB Number	09-3134/1	Introduction Number	AB-0502	Estimate Type	Original
<b>Description</b> Requiring the Department of Revenue to certify the tax base of Tax Incremental Financing District Number 18 in the city of Waukesha					

### Assumptions Used in Arriving at Fiscal Estimate

The tax incremental finance (TIF) law permits cities, villages, and, to a limited extent, towns to finance certain public improvements needed to encourage economic development. When a TIF district is created, the equalized value of the taxable property in the district is set as the "base value". Over time, as the TIF district develops, the equalized value of the district will change. To the extent that the current value is greater than the "base value", the positive difference is referred to as the "value increment". The property taxes levied by all local taxing jurisdictions (municipality, county, school district, technical college, and special districts) on the "value increment", are retained by the municipality. These funds are used to repay the costs of developing the TIF district. In general, once the TIF district development costs are repaid, the municipality terminates the TIF district. After termination, the property taxes on property in the former TIF district are shared with the overlying taxing jurisdictions in full in the same manner as non-TIF property taxes are shared.

A municipality must follow certain procedures when creating a TIF district, including establishing a TIF district project plan, holding public hearings, obtaining approval by a review board composed of various local officials, and adoption of a resolution creating the TIF district as of a certain date.

When a municipality applies to the Department of Revenue (DOR) to form a TIF district, its application must contain findings that not less than 50% of the area in the proposed TIF district is blighted, in need of rehabilitation or conservation work, suitable for industrial sites, or suitable for mixed-use development. This information is used by DOR to identify the type of TIF district that is being created and, consequently, the allowable life span of the district.

The bill creates an exception from the "findings test" for the City of Waukesha. The city attempted to create TIF District #18 in 2008, but its application to the DOR did not contain the required findings statement. Under the bill, the Department of Revenue (DOR) shall calculate the base value of this district as if it had been created on January 1, 2008, and initially certify an incremental value for the district in 2010.

The DOR has not yet determined a base value for this TIF district. It is therefore not possible to project how the incremental value and incremental levies of this district will be affected by the bill. To the extent that property values in the area to be included in Waukesha's TIF District #18 have increased since January 1, 2008, the base value on which future incremental values are calculated under the bill will be lower than under current law, leading to an increase in future years' incremental values compared with current law. On the other hand, if property values in the area to be included in Waukesha's TIF District #18 have decreased since January 1, 2008, the base value on which future incremental values are calculated under the bill will be higher than under current law, leading to a decrease in future years' incremental values compared with current law.

DOR administrative costs can be absorbed within existing budgetary authority.

### Long-Range Fiscal Implications